

## 2006 Utah Statistics

### Corporate Income Tax: Overview

States are not able to tax all the income belonging to a corporation doing business within its borders. States may only tax the portion of income generated by the corporation within its borders. However, determining this share is fraught with difficulty, since assigning the actual profit created in a state is next to impossible. For example, if XYZ Corporation produces composted fertilizer in Wyoming and ships it to a Utah outlet for sale, where does the profit occur? Utah may like to say that since all the sales occur in Utah, the only cost that can be subtracted from Utah taxable income is the actual cost of production in Wyoming. Meanwhile, the firm would want to book this income in Wyoming; since profits there are not taxed.

To avoid intractable arguments about where “true profit” occurs, the general practice among states is to divide a firm's income according to its relative economic presence in a state. Utah defines the presence, as do many other states, as the average share of wages, sales, and property the company maintains in Utah. This share is called the “apportionment fraction,” and when it is applied to an amount, such as “income”, it is called “apportioned income.” In simple terms, an apportioned amount is the amount relevant for Utah tax purposes. In this report, with the exception of tables reporting apportionment, data are reported in apportioned form.

What income is included or excluded from the corporate tax base is very complicated, with many fine nuances and details. In general, the state tax base is close to the federal base, with minor exceptions, which we will survey here. Table A reports the magnitude of various income measures for 2006. The form items and line numbers are reported along with the aggregate apportioned amounts from each line for corporations filing in Utah. This table is representative of corporations whose tax is based upon income, excluding those who pay the minimum tax.

The Utah Net Taxable Income line shows that after state adjustments, 81.6% (74.0% in 2005) of unadjusted income was taxed. The difference between line 12 and 14 represents loss carry backs. These loss carry backs were larger than in 2005. The effective tax rate (tax divided by income) is 4.1% (3.9% in 2005). Also of note is the magnitude increase in taxes due. The tax grew from \$245.9 to \$356.8 million from 2005 to 2006, a 45% increase (54% in 2005).

Table B reports the dollar value and share of taxes paid for non-minimum taxpayers, as reported on tax returns for 2005. The most obvious fact is that the large corporations pay a very large share of taxes. Companies with a net apportioned income larger than \$1 million paid 91 percent of the tax; those with income less than \$100,000 paid 1.7% of the tax.

Table C is similar in content and structure to the previous table but includes all corporate taxpayers. The Manufacturing, Unknown/Undisclosable, Finance and Insurance, Wholesale, and Retail industries were the five largest paying industries. Each paid over \$25 million in corporate income tax. The largest average payments were in the Utilities, Mining, Management, and Finance and Insurance industries at over \$50,000 a return.

**Table A**

Tax Item & Line Number		Amount & Share of FAGI	
Unadjusted Income	01	\$8,722,542,079	100.0%
Adjusted Income	04	\$8,086,446,821	92.7%
Apportionable Income	08	\$7,877,184,558	90.3%
Utah Taxable Income	12	\$7,556,845,063	86.6%
Utah Net Taxable Income	14	\$7,109,521,447	81.5%
Tax	15	\$356,773,556	4.1%

**Table B**

Income Group	Returns	Tax	Share
No Income	44	\$12,602	0.0%
\$0 to \$9,999	1,480	\$411,498	0.1%
\$10,000 to \$19,999	788	\$564,568	0.2%
\$20,000 to \$29,999	464	\$573,985	0.2%
\$30,000 to \$39,999	330	\$588,494	0.2%
\$40,000 to \$49,999	336	\$757,604	0.2%
\$50,000 to \$74,999	587	\$1,790,936	0.5%
\$75,000 to \$99,999	336	\$1,454,520	0.4%
\$100,000 to \$499,999	1,153	\$12,757,016	3.6%
\$500,000 to \$999,999	330	\$11,704,609	3.3%
\$1,000,000 to \$4,999,999	442	\$49,538,759	13.9%
\$5,000,000 to \$9,999,999	90	\$32,273,500	9.0%
\$10,000,000 and Over	126	\$244,345,465	68.5%
<b>Total</b>	<b>6,506</b>	<b>\$356,773,556</b>	<b>100.0%</b>

**Table C**

Industry (NAICS)	Returns	Tax	Share
Agriculture, Forestry, Fishing and Hunting	85	\$236,147	0.1%
Mining	134	\$11,235,772	3.1%
Utilities	26	\$9,037,772	2.5%
Construction	1,331	\$11,927,833	3.3%
Manufacturing	1,052	\$44,655,198	12.4%
Wholesale Trade	1,619	\$30,617,647	8.5%
Retail Trade	1,552	\$34,949,923	9.7%
Transportation and Warehousing	329	\$5,599,273	1.6%
Information	570	\$6,236,260	1.7%
Finance and Insurance	607	\$39,157,232	10.9%
Real Estate and Rental and Leasing	662	\$3,535,634	1.0%
Professional, Scientific, and Technical Services	1,807	\$14,474,324	4.0%
Management of Companies and Enterprises	70	\$9,842,888	2.7%
Administrative and Support and Waste Management and Remediation Services	650	\$4,203,813	1.2%
Educational Services	102	\$407,244	0.1%
Health Care and Social Assistance	979	\$3,073,365	0.9%
Arts, Entertainment, and Recreation	108	\$271,471	0.1%
Accommodation and Food Services	407	\$1,393,374	0.4%
Other Services (except Public Administration)	524	\$3,823,263	1.1%
Unknown or Undisclosable	8,549	\$125,545,270	34.9%
<b>Total</b>	<b>21,163</b>	<b>\$360,223,703</b>	<b>100.0%</b>